

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 OMB-01 TRSE-00 /060 W  
-----063061 191920Z /44

R 191838Z JAN 78

FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 2215  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY THE HAGUE  
AMEMBASSY LUXEMBOURG  
AMEMBASSY PARIS  
AMEMBASSY ROME  
USMISSION USNATO  
AMCONSUL BELFAST  
AMCONSUL EDINBURGH

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USEEC ALSO FOR EMBASSY

USOECD ALSO FOR EMBASSY

E.O. 11652: GDS  
TAGS: PGOV, PINT, UK  
SUBJECT: LIBERAL ASSEMBLY EXPECTED TO PRESERVE PACT  
UNTIL SUMMER

REF: 77 LONDON 20831  
SUMMARY. THE LIBERAL SPECIAL ASSEMBLY ON JANUARY 21 WILL  
BE CALLED ON TO DECIDE BETWEEN (1) ADVOCATING AN IM-  
MEDIATE END TO THE LIB-LAB PACT OR (2) LEAVING IT TO  
PARTY LEADER DAVID STEEL TO CHOOSE THE TIME, IN CON-  
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SULTATION WITH THE PARTY'S SENIOR OFFICERS AND HIS FELLO  
LIBERAL MP'S. AFTER HEATED DEBATE, THE ASSEMBLY IS  
EXPECTED TO OPT FOR LEAVING THE CHOICE TO STEEL. BUT  
THE RESOLUTION TO BE ADOPTED AND ITS "LEGISLATIVE  
HISTORY" WILL MAKE IT CLEAR THAT THE SUMMER 1978 ENACT-  
MENT OF THE FINANCE BILL IS THE LIKELY TIME FOR THE  
PARLIAMENTARY LIBERAL PARTY TO PART COMPANY WITH THE

LABOR GOVERNMENT. END SUMMARY.

1. THE ROAD TOWARD THE JANUARY 21 LIBERAL PARTY SPECIAL ASSEMBLY AT BLACKPOOL HAS PROVEN MUCH LESS SMOOTH THAN HOPED FOR WHEN THE PARTY'S STANDING COMMITTEE DEVISED ITS DRAFT RESOLUTION CALCULATED TO BRIDGE THE GAP BETWEEN DAVID STEEL AND LIBERAL ACTIVISTS (REFTEL). INITIALLY FAVORABLE TOWARD THE DRAFT, STEEL RUMINATED OVER IT DURING THE HOLIDAYS AND DECIDED THAT EVEN ITS "SOFT OPTION" -- CALLING FOR BREAKING THE LIB-LAB PACT IN SUMMER 1978 AFTER THE FINANCE BILL WAS ENACTED INTO LAW -- WAS UNACCEPTABLE. HIS OBJECTION WAS BASED ON BOTH PRINCIPLE AND TACTICAL CONSIDERATIONS: (1) THE PARLIAMENTARY LIBERAL PARTY HAD MADE THE AGREEMENT, AND MUST RETAIN LATITUDE ON WHEN TO BREAK IT; AND (2) IT WOULD BE NONSENSICAL TO SERVE NOTICE OF A FIRM FUTURE ABROGATION DATE WHILE STAGGERING ON WITH THE PACT AND STILL TRYING TO GET THE GOVERNMENT TO MAKE CONCESSIONS TO LIBERAL DEMANDS. WHILE RECOGNIZING THAT PARTY OPINION NOW PREVENTED THE PACT FROM CONTINUING UNTIL THE NEXT ELECTION, STEEL GAINED THE OVERWHELMING BACKING OF HIS PLP COLLEAGUES THAT THEIR HANDS SHOULD NOT BE TIGHTLY BOUND BY THE PARTY ORGANIZATION. (JOHN PARDOE DID YET ANOTHER ABOUT-FACE AND ONCE MORE ADVOCATED CONTINUING THE PACT ALL THE WAY TO THE ELECTIONS.) STEEL LAUNCHED A VIGOROUS FIGHT TO PRESENT HIS CASE.

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2. THE OUTCOME OF THE INTRA-LIBERAL PRE-ASSEMBLY DEBATE, CONDUCTED IN PUBLIC AS WELL AS IN PRIVATE, IS A REVISED RESOLUTION WHICH SOFTENS EVEN FURTHER THE SOFT OPTION. THE OPERATIVE CLAUSE OFFERS THE CHOICE BETWEEN THE ASSEMBLY (1) BELIEVING THAT THE PACT SHOULD BE ENDED IMMEDIATELY, OR (2) EXPECTING "BY THE TIME THE FINANCE BILL, 1978, IS ENACTED THE LIB/LAB PARLIAMENTARY AGREEMENT WILL HAVE SUCCESSFULLY ACHIEVED ITS IMMEDIATE PURPOSE FOR THE GOOD OF THE COUNTRY; AND BELIEVES THAT THE AGREEMENT SHOULD CONTINUE ONLY UNTIL, IN THE LIGHT OF THIS RESOLUTION, THE LEADER OF THE PARTY, IN CONSULTATION WITH THE SENIOR OFFICERS OF THE PARTY, AND WITH THE PARLIAMENTARY PARTY, DECIDES TO END IT."

3. THE SPECIAL ASSEMBLY WILL TAKE A STRAIGHT VOTE BETWEEN THE TWO OPTIONS. NO SUBSTANTIAL AMENDMENTS WILL BE CONSIDERED. PARTY OFFICIALS EXPECT THAT THE SECOND OPTION (APPARENTLY DRAFTED BY STEEL) WILL WIN BY A SIGNIFICANT MAJORITY (ATTRACTING PERHAPS 70 PER CENT OF THE VOTES), BUT THE DEBATE WILL PROBABLY BE A BRUISING ONE, WITH MANY WEIGHTY AND RESPECTED PARTY OFFICIALS

ARGUING FOR AN IMMEDIATE END TO THE PACT.

4. BOTH PLP AND PARTY ORGANIZATION OFFICIALS WITH WHOM  
WE HAVE SPOKEN AGREE THAT THE CONVOLUTED WORDING OF

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OPTION TWO LEAVES OPEN THE POSSIBILITY OF CONTINUING OR  
RENEWING THE PACT BEYOND THE ENACTMENT OF THE FINANCE  
BILL (THIS SUMMER) AND INTO THE NEXT SESSION OF  
PARLIAMENT BEGINNING THIS FALL. BUT ALL AGREE THAT THIS  
IS A VERY REMOTE POSSIBILITY WHICH WOULD REQUIRE SOME  
SPECTACULAR GESTURE FROM THE GOVERNMENT, AND THE ENACT-  
MENT OF THE FINANCE BILL IS SEEN AS THE LIKELY ENDING  
POINT.

5. OTHER AGENDA ITEMS TO BE COVERED AT THE ONE-DAY  
BLACKPOOL ASSEMBLY ARE DEBATES ON THE EURO-ELECTIONS

AND ON GENERAL ELECTION STRATEGY. ON EURO-ELECTIONS,  
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THE ASSEMBLY IS EXPECTED TO VOTE STRONGLY IN FAVOR OF A RESOLUTION THAT REITERATES THE PRO-PR ARGUMENT BUT COMES OUT ANYWAY IN FAVOR OF CONTESTING THE ELECTIONS AS VIGOROUSLY AS POSSIBLE DESPITE THE UNFAIR ELECTORAL SYSTEM. THERE WILL BE NO RESOLUTION ON GENERAL ELECTION STRATEGY, BUT MERELY A DIFFUSE "TAKE-NOTE" DEBATE DURING WHICH STEAM WILL BE LET OFF ABOUT THE MERITS OF DAVID STEEL'S BALANCE OF POWER/COALITION STRATEGY.

6. COMMENT. ANGER WITHIN THE PARTY HAS SUBSIDED CONSIDERABLY SINCE THE PERCEIVED FAILURE OF LABOR ON DECEMBER 13 TO PROVIDE "ENOUGH" SUPPORT FOR PR AS THE ELECTORAL SYSTEM FOR THE EUROPEAN ELECTIONS. STEEL'S PERSISTENT ADVOCACY OF NOT ENDING THE PACT ABRUPTLY, BUTTRESSED BY THE THREAT OF HIS RESIGNATION AS LEADER, HAS AWAKENED MUCH SUPPORT FOR HIS STANCE. IF THE VOTE GOES AS EXPECTED, HE WILL HAVE SAVED FACE AND POSITION; HE WILL HAVE RETAINED ALSO A MEASURE, BUT ONLY A MEASURE OF FREEDOM OF MANEUVER ABOUT WHEN TO END THE LIB-LAB PACT. STEEL WOULD BE UNLIKELY TO RISK HIS PARTY'S IRE BY DEFYING THE SPIRIT OF THE BLACKPOOL DECISION. THE ODDS INDEED SEEM HEAVY FOR THE PACT ENDING ABOUT IN JULY. BUT THEN AGAIN, SIX MONTHS IS A VERY LONG TIME IN POLITICS.

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## Message Attributes

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